



MALDIVES
INLAND REVENUE
AUTHORITY

QUARTERLY REPORT

QUARTER 2 2013



Acronyms

ADB	Asian Development Bank
ACC	Anti-Corruption Commission
BPT	Business Profit Tax
CATA	Commonwealth Association of Tax Administrators
GST	Goods and Services Tax
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
MIRA	Maldives Inland Revenue Authority
MoFT	Ministry of Finance and Treasury
MOU	Memorandum of Understanding
SAARC	South Asian Association for Regional Co-operation
SCE	Singapore Cooperation Enterprise

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1. Revenue Collection

1.1 Total Revenue Collection

The total revenue collected for the second quarter of 2013 totaled MVR 2.14 billion, which is a 48% growth compared to the corresponding quarter of 2012. Compared to the previous quarter, there is a 14.7% decline in the revenue collected; however, this is a recurring second quarter slump due to the arrangement of deadlines of major taxes. The majority, 59.9%, of the revenue collected during the quarter is in USD while the rest is in MVR. GST, BPT, Tourism Land Rent, Tourism Tax and Bank Profit Tax together comprise 89.0% of the total revenue. Compared to the projections for the quarter, the collections were 34.3% favorable.

Figure 1.1 Quarterly Revenue Collection

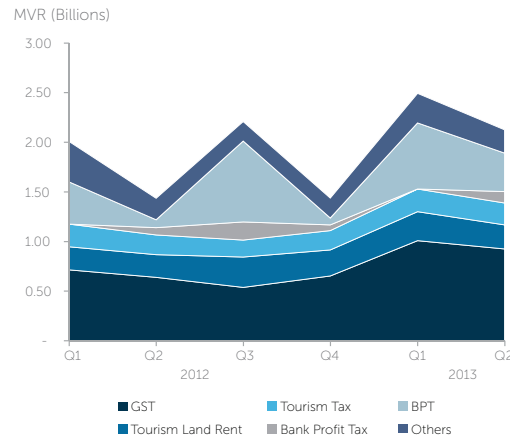
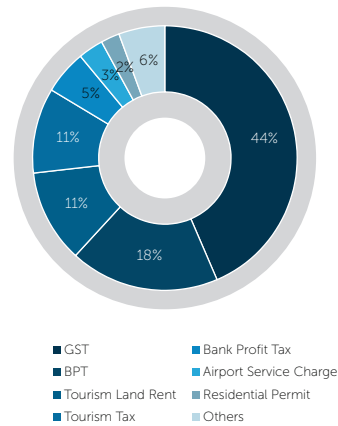


Figure 1.2 Total Revenue Collection



MVR 4.66 billion was cumulatively collected up to the end of second quarter of 2013, depicting a growth of 34.1% compared to the corresponding first half year of 2012.

Figure 1.3 Total Revenue Collection

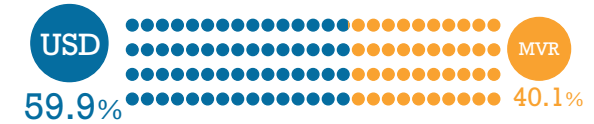


Table 1.1 Total Revenue Contribution - Q1 2013 (in MVR)

Description	Q2 2013	% Share
Airport Service Charge	66,065,224	3.1%
Bank Profit Tax	115,288,506	5.4%
Business Permits ¹	5,141,323	0.2%
Business Profit Tax	391,543,076	18.3%
Fines	11,401,314	0.5%
Goods and Services Tax	933,848,747	43.6%
Land Sales Tax	6,414,666	0.3%
Non-tourism Property Income ²	22,115,899	1.0%
Proceeds from Sale of Assets ³	29,098,760	1.4%
Resident Permit	49,179,760	2.3%
Revenue Stamp	8,434,322	0.4%
Royalties ⁴	25,412,835	1.2%
Tourism Land Rent	244,008,181	11.4%
Tourism Tax	223,241,318	10.4%
Vehicle Fee	11,499,380	0.5%
Vessels Fee	1,581,239	0.1%
Others ⁵	20,474	0.0%
Total	2,144,295,025	100%

¹ **Business Permits:** Company Annual Fee, Restaurant, Café, Canteen Fee, Flat Maintenance Fee, Partnership Fees, Import Trade Fee, Co-operative Society Fees, Trade Registry Fee, Foreign Investment Administration Annual Fee, Company Registration Fee, Foreign Business Fee
² **Royalties:** Duty Free Royalty, Foreign Investment Royalty, Fishing Royalty, Fuel re-export Royalty, Re-Export Royalty, Yellowfin Tuna Export Royalty, Skipjack Industry Royalty
³ **Non-tourism Property Income:** Uninhabited Islands Rent, Government Buildings Rent, Commercial Land Rent, Rent from Land for Industry, Longterm Agricultural Leased Islands Rent, Rent from Floating Jetty, Uninhabited Islands Administration Fee
⁴ **Proceeds from Sale of Assets:** Sale of Items At Auction, Sale of Government Buildings, Sale of Government Lands
⁵ **Others:** Reimbursements from Previous Year Budget

1.2 USD Revenue Collection

The revenue collection in USD amounted to USD 83.8 million. Half of this revenue was from the tourism sector GST, which is collected from the tourism sector sales at the rate of 8%. Tourism Land Rent and Tourism Tax comprised 19.0% and 17.4% of the USD revenue respectively. Other main revenue in USD came from the Business Profit Tax, Airport Service Charge and Proceeds from Sales of Assets. The revenue collected in USD increased by 40.1% against the corresponding quarter of 2012. Cumulative USD collection for the first two quarters increased by 30.1% to USD 183.0 million.

Figure 1.4 USD Revenue Contribution (Q2 2013)

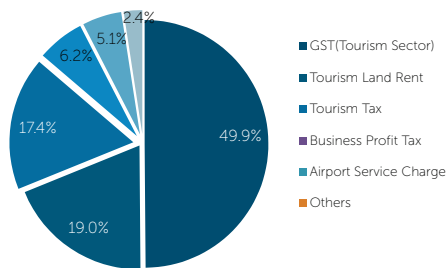


Figure 1.5 USD Revenue Collection (2012-2013)

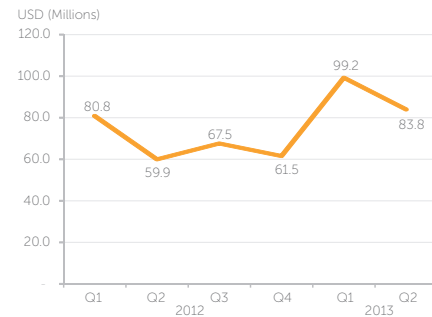


Table 1.2 Total USD Revenue Collection - Q1 2013

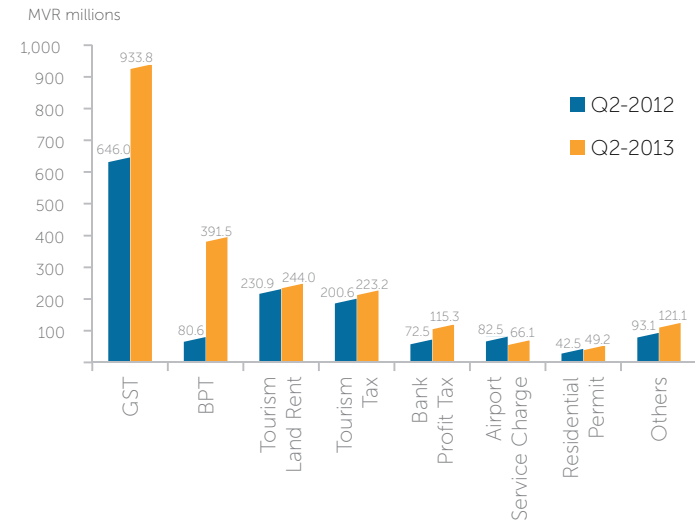
Description	Q2 2013	% Share
Airport Service Charge	4,314,761	5.1%
Business Profit Tax	5,178,312	6.2%
Goods and Services Tax (Tourism Sector)	41,809,533	49.9%
Tourism Tax	14,576,024	17.4%
Tourism Land Rent	15,927,832	19.0%
Others	2,033,750	2.4%
Total	83,840,211	100%

¹ Others: Royalties, Foreign Investment Administration Annual Fee, Sale of Government Land, Fines

1.3 Comparison against Q2 2012

There is a 48.0% increase in the revenue collection compared to the corresponding quarter of 2012. In the second quarter of 2012, the revenue collection was MVR 1.45 billion, and during the quarter in review, the collection amounted to MVR 2.14 billion. The share of GST remained more or less the same at 43.6% of the total revenue collected in the quarter 2 of 2013, compared with 44.6% in the same quarter of 2012. Share of BPT increased significantly from just 5.6% to 18.3%.

Figure 1.6 Comparison Against the Corresponding Quarter



34.3%
higher than projections*

48.0%
increase compared to Q2, 2012*

In terms of revenue growth against the corresponding quarter of 2012, BPT recorded the highest growth with a 385.8% surge. Bank Profit Tax increased by 59.1%, GST by 44.6%, Resident Permit by 15.8% and Tourism Tax by 11.3% to contribute to the revenue growth in the quarter. However, Airport Service Charge fell by 19.9% compared to the same quarter last year.

The USD share of revenue fell down slightly during the quarter in review, coming down from 63.3% in the corresponding quarter of last year to 59.9%.

Figure 1.7 Quarterly Revenue Collection (2012 Q1 - 2013 Q2)

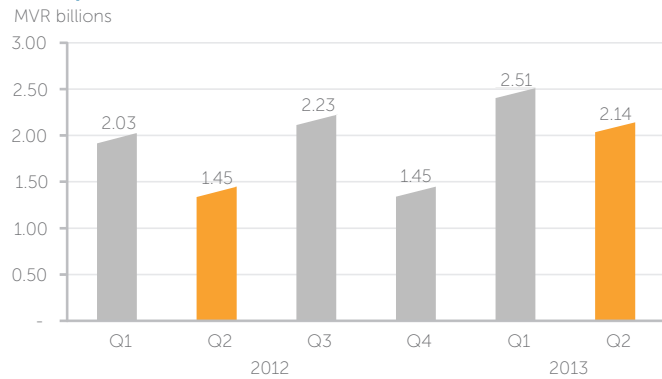


Figure 1.8 Currency Composition Comparison

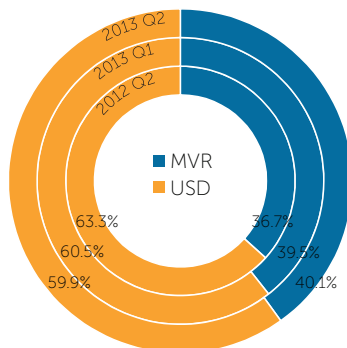


Table 1.3 Revenue Comparison - Corresponding Quarter (in MVR)

Description	Actual Q2 2013	Actual Q2 2012	% Variance
Airport Service Charge	66,065,224	82,512,172	-19.9%
Bank Profit Tax	115,288,506	72,463,854	59.1%
Business Permits*	5,141,323	5,985,635	-14.1%
Business Profit Tax	391,543,076	80,594,622	385.8%
Fines	11,401,314	19,991,575	-43.0%
Goods and Services Tax	933,848,747	645,987,243	44.6%
Land Sales Tax	6,414,666	4,631,889	38.5%
Non-tourism Property Income*	22,115,899	21,709,346	1.9%
Proceeds from Sale of Assets*	29,098,760	2,010,878	1347.1%
Resident Permit	49,179,760	42,464,100	15.8%
Revenue Stamp	8,434,322	10,279,684	-18.0%
Royalties*	25,412,835	16,748,473	51.7%
Tourism Land Rent	244,008,181	230,910,472	5.7%
Tourism Tax	223,241,318	200,635,115	11.3%
Vehicle Fee	11,499,380	10,190,095	12.8%
Vessels Fee	1,581,239	1,514,297	4.4%
Others	20,474	-	
Total	2,144,295,025	1,448,629,449	48%

* Refer to Table 1.1 footnotes for details

% share of Total Revenue

- 44% GST
- 18% BPT
- 11% Tourism Land Rent
- 10% Tourism Tax
- 5% Bank Profit Tax

1.4 Projections for Q2 2013

The total revenue collected during the quarter in review is 34.3% favourable than the expected revenue for the period. The projected revenue was MVR 1.60 billion while MVR 2.14 billion was actually collected. The main driver to the favourable outcome is significant amounts of BPT collection compared to projections. Revenue collected from Non-Tourism Property Income, Tourism Land Rent, Tourism Tax and GST was exceedingly favourable compared to the projections. Revenue from Vehicle Fees, Resident Permit and Royalties were also moderately favourable than expected. On the other hand, revenue from Airport Service Charge, Business Permits, Fines, Land Sales Tax, Lease Period Extension and Revenue Stamp were among those which were less favourably collected than projected.

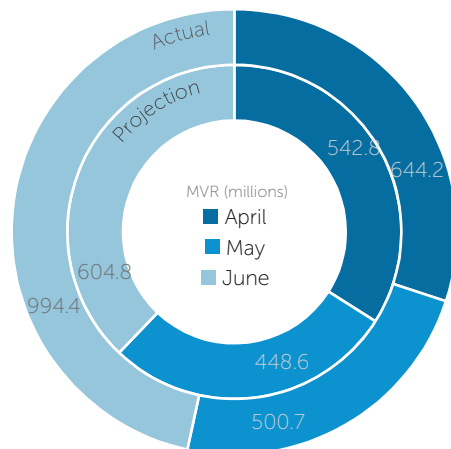
Compared to the projections for the first half year, revenue collection was 14.4% favourable.

Table 1.4 Revenue Comparison - Projections for the Quarter

Description	Actual Q2 2013	Projection Q2 2013	% Variance
Airport Service Charge	66,065,224	558,255,250	-85.2%
Bank Profit Tax	115,288,506	-	
Business Permits*	5,141,323	263,336,727	-97.7%
Business Profit Tax	391,543,076	286,099,207	-71.8%
Fines	11,401,314	213,337,554	-90.6%
Goods and Services Tax	933,848,747	79,817,311	709.3%
Land Sales Tax	6,414,666	65,227,614	-92.9%
Lease Period Extension	-	44,587,305	-100.0%
Non-tourism Property Income*	22,115,899	1,147,062	1792.6%
Proceeds from Sale of Assets*	29,098,760	16,592,123	-87.9%
Resident Permit	49,179,760	21,940,421	93.5%
Revenue Stamp	8,434,322	10,291,996	-0.1%
Royalties*	25,412,835	13,942,476	20.1%
Tourism Land Rent	244,008,181	10,793,668	2039.3%
Tourism Tax	223,241,318	3,419,326	5767.7%
Vehicle Fee	11,499,380	5,831,140	74.8%
Vessels Fee	1,581,239	1,529,440	-1.0%
Others*	20,474	-	
Total	2,144,295,025	1,596,148,620	34%

* Refer to Table 1.1 footnotes for details

Figure 1.9 Monthly Projection vs Actual - Q2 2013



MVR 4.66 bn

Total Revenue for the first 6 months of 2013

"Total Revenue for the first 6 months of 2013



34.1%

higher than the first 6 months of 2012."

1.5 Main Revenue Contributors

a. Goods and Services Tax

GST is the largest contributor of revenue, sharing 43.6% of the total revenue for the quarter. GST is received from two sources – the tourism sector at 8% and the non-tourism or general sector at 6%. Compared with the corresponding quarter the tourism sector GST increased by 67.4%, indicating healthy spending in the tourism sector. Non-tourism

Figure 1.10 Monthly GST Revenue Collection

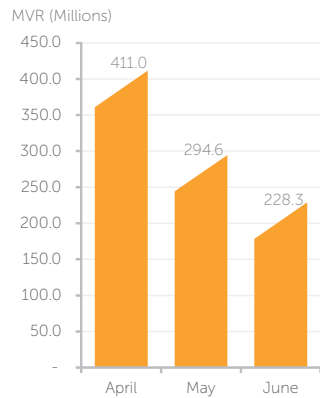
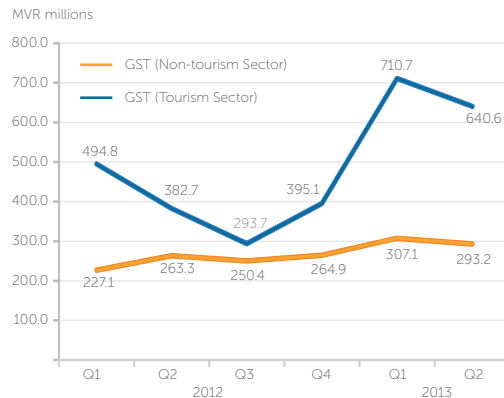


Figure 1.11 Quarterly GST Revenue Collection



sector GST also increased modestly by 11.4%. However, the quarterly slump of the economy in the second quarter was visible when compared against the previous quarter as both the tourism and non-tourism GST collections declined by 9.9% and 4.5% respectively. Tourism sector contributes most GST revenue with a 68.6% share in the quarter in review.

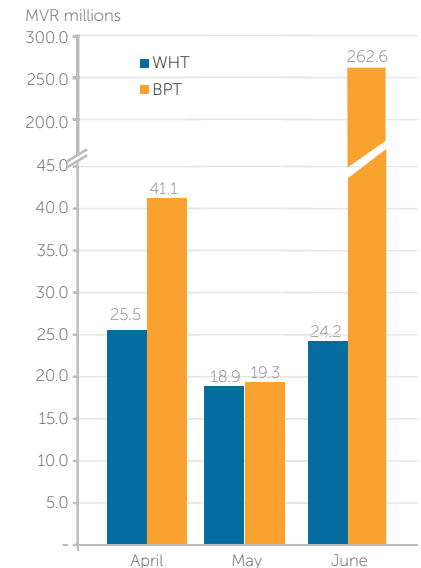
Monthly GST collections are largely influenced by GST deadlines. For quarterly filers, the deadline to pay the first quarter GST is 28th April. Therefore, the GST collection peaks in April as the proportion of quarterly filers are higher compared to monthly filers.

b. Business Profit Tax

The deadline for the final payment of BPT falls due at the month end of June. The final payment of BPT is made, after the full tax liability for the year is known after financial statements are prepared, when the payments for the interim payments are not sufficient to cover for the full tax liability for the year.

The final payment of BPT for this year is significantly larger compared to the previous year. A possible reason may be that the previous year's final payment was not paid in relation to a full financial year, but from the inception of BPT in July 2011 to the year end of 2011. The final payment for BPT in the quarter in review refers to the full financial year of 2012.

Figure 1.12 BPT Revenue - (2012-2013)



BPT is one of the taxes collected under the BPT Act. The other tax is Withholding Tax (WHT), which is a tax paid when a business pays to a non-resident for any service listed in Section 6(a) of the BPT Act. A 10% tax is withheld from the gross amount paid to the non-resident. During the quarter in review, the BPT collections represented 82.5% of the taxes

collected under the BPT Act while WHT represented 17.5%. This share is considerably affected by the interim payment deadlines of BPT.

WHT collections made during the quarter in review amounted to MVR 68.6 million. This resulted in a decline of the WHT collections compared to the corresponding quarter by 14.1% and the previous quarter by 12.4%.

Figure 1.13 Quarterly BPT Collections- 2012 Q1-2013 Q2



Figure 1.14 Quarterly WHT Collections- 2012 Q1-2013 Q2



c. Tourism Land Rent

Tourism Land Rent is collected on a quarterly basis based on the land area of the tourist resort. MVR 244.0 million was collected as Tourism Land Rent during the quarter in review, and this represents 11.4% of the total revenue for the quarter. When compared against the corresponding quarter, there is a 5.7% increase, while against the previous quarter, there is a 17.1% decline.

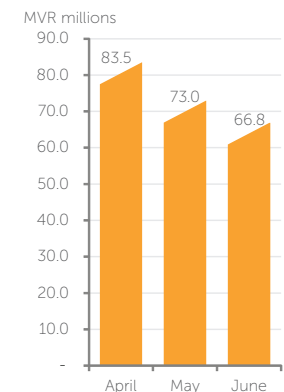
Figure 1.15 Quarterly Tourism Land Rent Collections- 2012 Q1-2013 Q2



d. Tourism Tax

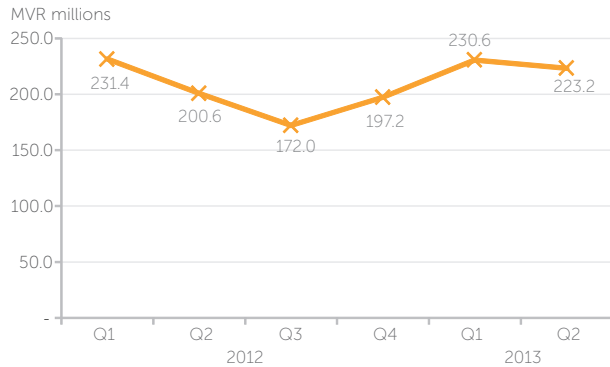
Tourism Tax represents about 10.4% of the revenue collection in the second quarter of 2013. The Tourism Tax collected in value amounted to MVR 223.2 million. This showed an increase of Tourism Tax collected compared to the corresponding quarter by 11.3%. However, the second quarter slowdown of the

Figure 1.16 Monthly Tourism Tax



tourism market meant that Tourism Tax fell by 3.2% compared against the previous quarter. The slowdown of the market is evident in the monthly collections as well.

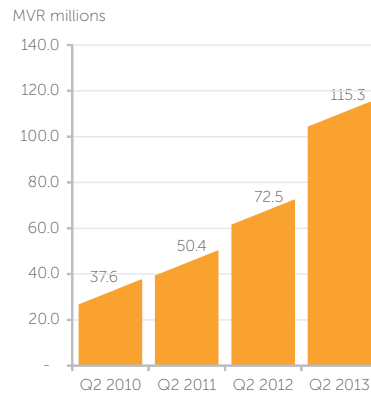
Figure 1.17 Quarterly Tourism Tax



e. Bank Profit Tax

Banks are required to pay 25% of their profits as Bank Profit Tax every year. The Banks are required to pay this tax before the end of July; however, some banks opted to pay in advance during the second quarter. As such a portion of the Bank Profit Tax for the year is received during the second quarter every year. During the quarter in review MVR 115.3 million was received as Bank Profit Tax. Compared to the corresponding quarter of the previous year, there is a 59.1% increase in the collection of the Bank Profit Tax.

Figure 1.18 Bank Profit Tax Collected in Q2



2. Registrations

During the quarter in review 713 new businesses were registered, which is more or less the same number of businesses registered during the previous quarter. 424 new taxpayers were registered for non-tourism sector GST and 50 new taxpayers were registered for Tourism sector GST during the quarter. The total number of new GST registrations has increased slightly by 2%.

Table 2.1 Business Registrations during the Quarter

	New Registrations	Total Registered
New Businesses	717	15015
Non-tourism Sector GST	436	5099
Tourism Sector GST	28	1013

During the quarter in review, 20 businesses were de-registered. Among GST registrations, 155 businesses were de registered during the quarter.

At the end of the quarter 2 of 2013, there were 15,015 businesses registered in the MIRA. Out of them 6,112 businesses were registered for GST.

3. Activities during the Quarter

114 presentations focused on taxpayer education held.

3,035 participants reached through these presentations.

29 media interviews

20 media programs

11 auditors registered
8 firms and 3 individuals registered for C category

119 audits and **455** reviews

Tax Category	No. of Audits / Reviews completed	Tax impact MVR	Tax impact USD
BPT	31 audits	58,037	307,382
WHT	10 audits	188,557	
GGST	74 audits	1,704,551	
TGST	4 audits		8,758
Tourism Tax	455 reviews		25,680

Total Tax Impact of Audits
MVR 1,951,145
USD 341,820

176 notices issued to register potential taxpayers.

3,522 compliance visits conducted

	No of Visits
Male'	3,292
Atolls	230

8 new objections received
5 GST
2 WHT
1 BPT

16 objections completed
10 Non tourism sector GST
3 Tourism sector GST
1 Bank Profit Tax
2 Withholding Tax

Legal Cases

3 cases filed by MIRA with the Civil Court
4 cases appealed by MIRA with the High Court
1 case filed against MIRA with the Tax Appeal Tribunal
3 Judgements passed in favor of MIRA
1 judgement was passed against MIRA
1 case withdrawn as an out of court settlement was reached

20 staff recruited during the quarter

14 staff terminated during the quarter

157 staff working at MIRA at the end of the quarter

6 Trainings, **41** Staff Trained
5 Overseas, 1 Local

Taxpayer Debt Collection

Total enforced collections: **MVR 58,774,058**

Amount recovered under:

- Action Policy - **MVR 2,961,610** (215 taxpayers)
- Installment Plan - **MVR 7,504,668** (28 taxpayers)
- Account Freezing Policy - **MVR 6,861,044** (21 accounts)
- Dues Clearance - **MVR 1,559,022** (452 taxpayers)

Total Arrears at the end of the quarter: **MVR 753,499,689**

Tax Ruling Issued:

1. B31: Fifth amendment to the Business Profit Tax Regulation
2. B32: Exemption from financial statement requirements when all income is subject to withholding tax
3. B33: Effect of change of accounting period
4. B34: Effect of change of accounting period (Revised)
5. G12: Claiming input tax under the Tourism Goods and Services Tax Act
6. G13: Eighth amendment to the Goods and Services Tax Regulation

30 May 2013

Tax Administration Regulation

published in the Gazette

Trainings/Seminars/Conferences

Overseas:

1. **Asia Pacific Regional Tax Conference** held in Malaysia from 2-4 April 2013 (2 participants).
2. **CATA Annual Management Committee Meeting** Held in London, UK from 9-10 April 2013, attended by the Commissioner General of Taxation.
3. **Anti-Money Laundering and Tax Evasion** held in Malaysia from 6-10 May 2013 (1 participant).

4. **Tax and Crime** training held in Malaysia from 27-31 May 2013 (2 participants).
5. **Taxation of International Transactions** held in Malaysia from 3-21 June 2013 (2 participants).

Local:

1. **Analyzing Fiscal Trends of Maldives Workshop** conducted by the World Bank at MoFT between 22-23 April 2013 (1 participant).
2. **Training on Auditing Multinational Enterprises** to staff of MIRA by Mr. Cameron Smith, as part of the on-going IMF Technical Assistance, between 7 – 18 April 2013 (32 participants).
3. **IPSAS Training Programme** conducted by the Auditor General's Office between 26-29 May 2013 (1 participant).
4. Series of Workshops conducted by Singapore Cooperation Enterprise (SCE) for MIRA staff under a technical assistance program granted pursuant to an MOU between SCE and the Ministry of Economic Development.
 - a. **Audit and Investigation Workshop**, 19-23 May 2013 (21 participants)
 - b. **Taxpayer Support Services Workshop**, 26-29 May 2013 (25 participants)
 - c. **Enforcement and Compliance Workshop**, 16-20 June 2013 (35 participants)
5. **Workshop on Macroeconomic Accounts and Analysis** conducted by the ADB in corporation with MoFT between 30 June - 04 July 2013 (1 participant).

4. Quarter in Pictures



MIRA Blood Donation Camp jointly organised by MIRA Club and Maldivian Thalassaemia Society at the Maldivian Blood Services on 13 May 2013.



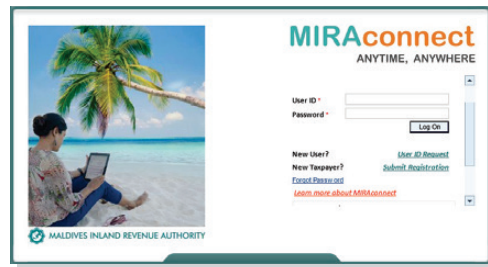
Series of **workshops on Audit and Investigation, Taxpayer Support Service and Enforcement and Compliance** conducted by Singapore Cooperation Enterprise were held at MIRA from 19 May to 20 June 2013.



MIRA Connect, online taxpayer service, was launched in the second quarter.



Members of the Board of Directors of MIRA **visited Inland Revenue Board of Malaysia**, from 13 to 14 May 2013



An **MOU was signed between MIRA and Inland Revenue Board of Malaysia** on 13 May 2013 to establish mutually beneficial cooperation.



MOU signed between MIRA and Anti-Corruption Commission (ACC) on 9 June 2013 to share information and provide mutual assistance

MIRA Tax Week 2013 was carried out from 15-21 June 2013. Tax Week consisted of an **open day**, a **walk** and a **road show** to inform public about operations of MIRA and important information about taxes and deadlines.



MIRA Open Day



MIRA Walk



MIRA Road Show

5. Outlook for the Next Quarter

5.1 Revenue Projection

It is projected that around 29.0% of the revenue for 2013 will be collected in Quarter 3, as the deadlines to pay the Bank Profit Tax and the first interim payment of BPT fall on this quarter. The revenue projection is largely based on the deadlines, past trends, rates and the number of taxpayers. The total revenue projected for Quarter 3 is MVR 2.3 billion, which depicts an expected 5% growth compared to the corresponding quarter of 2012.

Collections made with respect to BPT are forecasted to amount MVR 676.9 million, 28.9% of the revenue for the quarter. Bank Profit Tax is expected to total MVR 281.4 million which represent 12.0% of the total revenue. GST is expected to fall in the next quarter as the tourism market enters its off-peak season; however, it will still represent 28.7% of the revenue for the quarter. The projected GST collection is MVR 671.2 million. Tourism Tax also follows a similar trend and the collections from Tourism Tax are expected to be MVR 184.7 million. Tourism Land rent will contribute more or less evenly through all the quarters and in Quarter 3, it is expected to be MVR 282.7 million.

5.2 Planned Activities

Activities planned for the third quarter of 2013 mainly relates to internal strengthening of the organisation. The work to include 4 more revenue codes in the SAP revenue management system in place, with the

assistance of ADB, is planned to commence in the 3rd quarter of 2013. Furthermore, developing and implementing applications to strengthen enforcement actions and non-tax revenue management is planned to be carried out. A register of the organisational risks will also be developed and communicated to staff.

To make the services easier for taxpayers, developing the Dhivehi portal of the taxpayer online service, MIRA Connect, will commence in the third quarter.

MIRA takes extra steps to reach the public and taxpayers, and as such MIRA is hosting TV programs in local channels. The third season of “Vaaru” program will be continued in the third quarter and a new season of “Iqthisaadhee Fenda” will be aired.

Furthermore, it is planned to sign MOUs with commercial banks in the Maldives, in order strengthen MIRA’s enforcement activities.

MVR
2.34
billion

Projected Revenue
for Quarter 3, 2013



MALDIVES
INLAND REVENUE
AUTHORITY



T-Building, Ameenee Magu, Male'



1415



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